

S. Kann Sons & Co.
OPEN DAILY 9 A. M. TO 5:45 P. M.
SALE MANUFACTURERS' CLEARANCE

Leather Goods

—Provides these five big bargain lots of Genuine Leather Bags and Strap Back Pocketbooks.
—All clean, fresh goods, not samples, and are made of such valuable leathers as morocco, seal, etc., in assorted styles. Values such as these we may not be able to duplicate again this season therefore do not miss this sale if you want a bag or pocketbook at from 25 Per Cent to 33 1-3 Per Cent Under Regular Prices.
Lot 1—Choice, \$2.00. Lot 2—Choice \$3.00. Lot 3—Choice, \$4.00.
Lot 4—Choice, \$5.00. Lot 5—Choice, 69c.
Kann's—East Room—Street Floor.

HOW SHALL WE PAY FOR THE WAR?

A Constructive Criticism on the
House Revenue Bill.

LOANS BETTER THAN TAXES

Five Reasons Why Excessive Taxes at the Outset of War Are Disadvantageous—Great Britain Example Worthwhile of Emulation—How the Taxes Should Be Apportioned.

By EDWIN R. A. SELIGMAN,
McVieher Professor of Political Economy,
Columbia University.

On May 23, 1917, the House of Representatives passed a bill "to provide revenue to defray war expenses and for other purposes." In the original bill as presented by the Committee on Ways and Means, the additional revenue to be derived was estimated at \$1,310,420,000. The amendment to the income tax, which was tacked on to the bill during the discussion in the House was expected to yield another \$40,000,000 or \$50,000,000.

In discussing the House bill, two problems arise:

I. How much should be raised by taxation?
II. In what manner should this sum be raised?

I. How Much Should Be Raised by Taxation?

How was the figure of \$1,350,000,000 arrived at? The answer is simple. When the Secretary of the Treasury came to estimate the additional war expense for the year 1917-18, he calculated that they would amount to some \$600,000,000, of which \$200,000,000 was to be allotted to the allies, and \$400,000,000 was to be utilized for the domestic purposes. Thinking that it would be a fair proposition to divide this latter sum between loans and taxes, he concluded that the amount to be raised by taxes was \$1,350,000,000.

There are two extreme theories, each of which may be discarded with about equal certainty. The one is that all war expenditures should be defrayed by loans and the other is that all war expenditures should be defrayed by taxes. Each theory is untenable.

It is indeed true that the burdens of the war should be borne by the present rather than the future generation but this does not mean that they should be borne by this year's taxation.

Meeting all war expenses by taxation makes the taxpayers in one or two years bear the burden of benefits that ought to be distributed at least over a decade within the same generation.

In the second place, when expenditures approach the gigantic sums of present-day warfare, the tax-only policy would require more than the total surplus of social income. Were this absolutely necessary, the ensuing havoc in the economic life of the community would have to be endured. But where the disasters are so great and at the same time so unnecessary, the tax-only policy may be declared impracticable.

Secretary McVie had the right instinct and highly commendable courage in deciding that a substantial portion at least of the revenue should be derived from taxation. But when he hit upon the plan of 50 to 60 per cent, that is, of raising one-half of all domestic war expenditures by taxes, the question arises whether he did not go too far.

The relative proportion of loans to taxes is after all a purely business proposition. Not to rely to a large extent on loans at the outset of a war is a mistake.

Disadvantages of Excessive Taxes.
The disadvantages of excessive taxes at the outset of the war are as follows:

1. Excessive taxes on consumption will cause popular resentment.
2. Excessive taxes on industry will discourage business, dampen enthusiasm and restrict the spirit of enterprise at the very time when the opposite is needed.

3. Excessive taxes on incomes will deplete the surplus available for investments and interfere with the placing of the enormous loans which will be necessary in any event.

4. Excessive taxes on wealth will cause a serious diminution of the incomes which are at present largely drawn upon for the support of educational and philanthropic enterprises. Moreover, these sources of support would be dried up precisely at the time when the need would be greatest.

5. Excessive taxation at the outset of the war will reduce the elasticity available for the increasing demands that are soon to come.

Great Britain's Policy.

Take Great Britain as an example. During the first year of the war she increased taxes only slightly. In order to keep industries going at top notch. During the second year she raised by new taxes only 9 per cent of her war expenditures. During the third year she levied by additional taxes over and above the pre-war level only slightly more than 17 per cent of her war expenses.

If we should attempt to do as much in the first year of the war as Great Britain did in the third year it would suffice to raise \$1,200,000,000. If, in order to be absolutely on the safe side, it seemed advisable to increase the sum to \$1,500,000,000, this should, in our opinion, be the maximum.

In considering the apportionment of the extraordinary burden of taxes in war times certain scientific principles are definitely established:

How Taxes Should Be Apportioned.
(1) The burden of taxes must be spread as far as possible over the whole community so as to cause each individual to share in the sacrifices according to his ability to pay and according to his share in the Government.
(2) Taxes on consumption, which are necessarily borne by the community at large, should be imposed as far as possible on articles of quasi-luxury rather than on those of necessity.

(3) Excises should be imposed as far as possible upon commodities in the hands of the third consumer rather than upon the articles which serve primarily as raw material for further production.

(4) Taxes upon business should be imposed as far as possible upon net earnings rather than upon gross receipts or capital invested.

(5) Taxes upon income which will necessarily be severe should be both differentiated and graduated. That is there should be a distinction between earned and unearned incomes and there should be a higher rate upon the latter. It is essential, however, not to burden the income rate so excessive as to lead to evasion, administrative difficulties, or to the more fundamental objections which have been urged above.

(6) The excess profits which are due to the war constitute the most obvious and reasonable source of revenue during war times. But the principle upon which these war-profit taxes are laid must be equitable in theory and easily calculable in practice.

The Proposed Income Tax.

The additional income tax as passed by the House runs up to a rate of 9 per cent. This is a sum unheard of in the history of civilized society. It must be remembered that it was only after the first year of the war that Great Britain increased her income tax to the maximum of 34 per cent, and this even now in the fourth year of the war the income tax does not exceed 42 per cent.

It could easily be shown that a tax with rates on moderate incomes so substantially less than in Great Britain and on the larger incomes about as high, would yield only slightly less than the \$200,000,000 originally estimated in the House bill.

It is to be hoped that the Senate will reduce the total rate on the highest incomes to 24 per cent, or at most to 4 per cent, and that at the same time it will reduce the rate on the smaller incomes derived from personal or professional earnings.

If the war continues we shall have to demand more and more upon the income tax. By imposing excessive rates now we are not only endangering the future, but are inviting all manner of difficulties which even Great Britain has been able to escape.

Conclusion.
The House bill contains other fundamental defects which may be summed up as follows:

(1) It pursues an erroneous principle in imposing retroactive taxes.
(2) It selects an unjust and narrow able criterion for the excess-profits tax.

(3) It proceeds to an unheard-of height in the income tax.
(4) It imposes unwarranted burden upon the consumption of the community.

(5) It is calculated to throw business into confusion by levying taxes on free receipts instead of upon commodities.
(6) It fails to make a proper use of stamp taxes.

(7) It follows an unbusinesslike error in its rate on profits.
(8) It increases a multiplicity of petty and unbusinesslike taxes, the vastness of which is out of all proportion to the revenue they produce.

The fundamental lines on which the House bill should be modified are summed up as follows:

(1) The amount of new taxation should be limited to \$1,500,000,000—or at the outset to \$1,200,000,000. To do more than this would be as unwise as it is unnecessary. To do even this would be to do more than has ever been done by any civilized Government in time of stress.

(2) The excess-profits tax based upon a sound system ought to yield about \$200,000,000.
(3) The income-tax schedule ought to be revised with a lowering of the rates on earned incomes below \$10,000, and with an analogous lowering of the rates on the higher incomes, so as not to exceed 34 per cent. A careful calculation shows that an income tax of this kind would yield some \$450,000,000 additional.

(4) The tax on whisky and tobacco ought to remain approximately as it is with a yield of about \$230,000,000.
(5) These three taxes, together with the stamp tax at even the low rate of the House bill, and with an improved automobile tax, will yield over \$1,250,000,000, which is the amount of money thought desirable.

The above program would be in harmony with an approved scientific system. It will do away with almost all of the complaints that are being urged against the present. It will refrain from taxing the consumption of the poor.

It will throw a far heavier burden upon the rich, but will not go to the extremes of confiscation. It will obviate interference with business and will keep unimpaired the social productivity of the community.

It will establish a just balance between loans and taxes and will not succumb to the danger of approaching either the tax-only policy or the loan-only policy. Above all, it will keep an undisturbed elastic margin, which must be more and more heavily drawn upon as the war proceeds.

HOLDS FIVE AT BAY.

George Kalisko Runs Amuck; Captured by Police.

Crazed by fear of court-martial and death, George Kalisko, private, company D, 316th Regiment, fled from Camp Meade last Sunday night and was captured yesterday after a hard struggle by camp police while holding five men at bay with an ax.

Kalisko, while at dinner at the farmhouse, suddenly became suspicious of his hosts and, grabbing an ax, made an attack upon them. The five men and a woman who were at dinner with him made their escape and barricaded themselves in a nearby room in front of which Kalisko walked to and fro swinging his ax.

A woman member of the household who seemed to have an influence over Kalisko and who was able to pacify him at the time when he seemed most dangerous, was able to slip from the house and send word to the camp for the military police. A detachment hastened in autotruck to the house and after maneuvering about Kalisko managed to arrest him. In their efforts to capture him they tried to lasso the soldier, but Kalisko evaded the lariat and made a dash for the police. Two of the men managed to side-step him and pounce upon him. Though Kalisko struggled violently they subdued him. They then reassured him that everything would be all right and that he would be well treated at the camp.

An examination of Kalisko at the Ciokey farm showed that one of his feet was frozen and that his clothes were badly torn and he was in poor physical condition. He was taken to the base hospital, where he is now under treatment. It seems that Kalisko, after fleeing into the woods, took off one of his shoes when he began to pain him and wandered about in the snow in that way.

KAISER LAUDED ROOSEVELT.

Copy of Historic Note Interview in Lansing's Hand.

New York, Feb. 8.—A Washington dispatch to the New York Tribune says:

"The only copy of the celebrated Kaiser-Roosevelt interview which is positively known to exist is now safely deposited in a State Department vault. It was delivered within the last ten days to Secretary Lansing by James W. Bellwell."

"As it travels around more and more is learned of its character. Hitherto the strictures passed by theaiser upon the Catholic Church have been treated as the most important part of the interview, but now it is believed more interesting is the part in which the Kaiser decries Theodore Roosevelt. It is understood that the Kaiser in the mood in which he was at the time of giving the interview believed that he and Theodore Roosevelt together could have made a satisfactory understanding and was almost inclined to say 'should say.'"

Phases of the Kaiser-Roosevelt interview are of all time and could only be called 'historic' were contained in the interview with William and Marie Kaiser obtained from the Kaiser in 1907, according to James W. Bellwell, at his home in Berlin, and last night that he had mailed the only existing copy of an interview with the State Department, because he believed the document might be destroyed in the government archives."

ATTACK FOUR ITALIAN CIVILS.
36 Hostile Machines Destroyed in Italy Since January 26.

Rome, Feb. 8.—The official communication from headquarters yesterday reads:

"From Stelvio to the sea there was slight artillery activity. Some patrol encounters occurred between the Adige and the Brenta and there were a few aerial combats, in which British aviators brought down an enemy machine."

"Cilliano and Bassano and again Treviso and Mestre were bombed early yesterday morning by hostile aircraft, which, however, caused little damage and few casualties. One of our airships last night reached the aviation grounds at St. Giacomo di Voglia, southeast of Vittorio, dropping a ton of high explosives."

"The number of hostile machines brought down from January 27 to yesterday by our and allied airmen reached 36."

SWAN BROS.
King and Pitt Streets Alexandria, Virginia
War Savings Stamps for Sale at the Cashier's Desk.

Love of Country

—SHOULD PROMPT YOU TO INVEST AS MUCH AS YOU POSSIBLY CAN IN

\$4.13 WORTH \$5.00 1923 THRIFT STAMPS 25c

—and THRIFT STAMPS. For every \$4.13 W. S. S. you buy now you will receive \$5 January 1, 1923. This is THRIFT WEEK—A good time to help win the war and make a profitable investment for yourself. W. S. S. and Thrift Stamps on sale HERE.

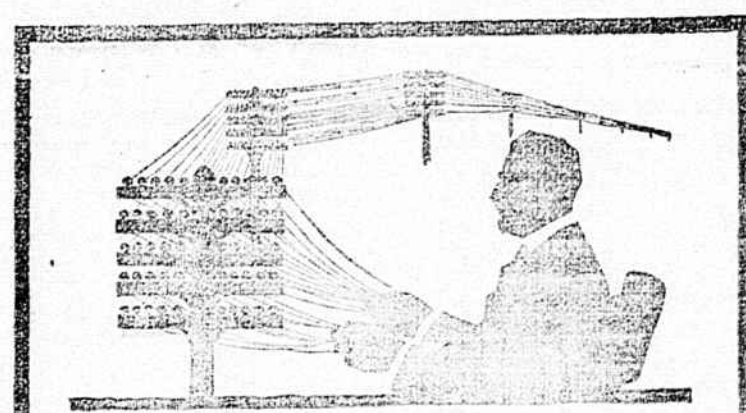
Alexandrians, Attention!

You Who Are Property Owners.

This office is wrestling with Real Estate problems and even though our list of properties is large, we are unable to satisfy every client. Therefore, we appeal to you to list yours, whether it be improved or unimproved, furnished or unfurnished. Remember that with everybody's co-operation, Alexandria must and will become commercially important.

SEE US NOW

Graham & Ogden
330 King Street. Alexandria, Va.



The Reins of Business

Twenty-six thousand cities, towns and hamlets are literally within the grasp of every user of Western Union Service. Fifty thousand employees and more than one and one-half million miles of wire enable you to guide your salesmen anywhere on the road—to facilitate deliveries—to know instantly the progress of every sale.

The greater the emergency, the more you can depend on

WESTERN UNION

Telegram—Day Letters—Night Letters
Cablegrams—Money Transferred By Wire
THE WESTERN UNION TELEGRAPH CO.

Gayety 9th Near F All This Week

Barney Gerard's Follies of the Day

WITH FRANK MACKAY, GERTRUDE HAYES, CHESTER NELSON
The Handsomest Shows in Burlesque in a Brand-New Vehicle
"Oh! You Shakespeare"

NEXT WEEK: The Star and Garter Show.

THE GEM OF GEMS

Is of course the diamond. It has been and always will be the one stone that is universally admired and cherished. Our exhibit of diamond jewelry is very large, complete and attractive. From it you can select a gift of any sort with full confidence in the integrity of the stones and with perfect assurance of all possible moderation in prices.

Saunders & Son
629 King Street.

"The Store of Greater Service"
WALSH
Washington, D. C.

Our New Pearl Buttons

The shipment includes small ones for the wee little babies' clothes, medium sized ones for little girls' and boys' clothes and larger ones for the women's skirts and coats.

5c to \$2.75 Per Doz.

First Floor—Lansburgh & Bro.

Save \$1.00 on Your Nemo Wonderlift Corsets

—Now before the advance in price from \$5.00 to \$6.00, which comes soon.

This advance applies to Nos. 553, 554, 555, 556, 557 and 558.

Nemo Self-Reducing Corsets

Nos. 102, 103 and 105

Will Be Advanced in Price From \$1.50 and \$5

—the advance in price are made necessary by the greater cost of everything that goes into a good grade corset.

Buy Now and Save the Difference.

Third Floor—Lansburgh & Bro.

Annual Meeting.

The annual meeting of the

Association of the Fidelity Storage

Company will be held at its office

122 South Fairfax Street, Alexandria,

Virginia, Wednesday, February 13,

1918, at 3 o'clock.

20-100 P. H. Smyth, Secretary.

Washington Southern R.

Schedule in effect Jan. 13, 1918.

For Washington and points north

daily 8:05, 9:13, 9:28, 11:38, a. m.

12:13, 1:18, 1:33, 2:03, (Through

train for New York, via P. R. R.)

4:33, 9:13, 11:33 p. m.

Week days only 6:08 p. m. Satur

days only 4:45 p. m., and Sunday

only 8:18 p. m.

For Fredericksburg, Richmond and

points south at 4:37, 7:52 (local) and

9:47, a. m. 12:07, 2:47, 5:17 (local)

6:17, 7:02, 8:17, 9:17, p. m. daily.

Accommodation for Quantico at

11:08 a. m. daily and 2:38 p. m. Sat

urdays. Night train leaves 11:43 p.

m. daily for Fredericksburg and in

termediate stations.

NOTE—Times of arrival and de

parture and connections not guaran

teed.

Maryland, Delaware and

Virginia Railway Co.

Steamers of this line leave Alex

andria every Monday, Wednesday

and Saturday, at 4:45 p. m.

FOR BALTIMORE AND ALL THE

USUAL RIVER LANDINGS

Cuisine and appointments unexcel

led.

Freight for Baltimore, Philadel

phia and New York solicited and

handled with care. Through rates

and bills of lading issued.

Single fare to Baltimore, \$3.25;

with return trip \$4.50. State rooms

one way \$2.00 and up.

MARY IF LONELY.—For results,

try me; best and most successful

"Home Maker;" hundreds of rich

with marriage soon; strictly con

fidential; most reliable, years ex

perience; descriptions free. "The

Successful Club," Mrs. Purdie, Box

556, Oakland, California.